

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4883-01  
Bill No.: HB 2040  
Subject: Business and Commerce; Environmental Protection; Natural Resources; Water Resources and Water Districts  
Type: Original  
Date: April 3, 2002

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**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 4 pages.

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**FISCAL ANALYSIS**

### ASSUMPTION

The **Department of Natural Resources** assumes the proposal would require those entities wanting to operate a chip mill to obtain a permit from the department. Before the department could approve, condition, or deny a permit, a resource impact analysis would have to be prepared. The proposal outlines the components needed for a resource impact analysis.

The **Department of Natural Resources** assumes additional resources would be requested to perform technical evaluations of permit applications, initiate the public hearings and public comment periods and coordinate the permitting process. This person would also prepare and maintain memorandum of agreements with other agencies providing input on the resource impact statement and establish and prepare drafts of resource impacts analysis under the time lines proposed in this legislation.

The universe of permittees is unknown. The **Department of Natural Resources** assumes they would use existing resources to enforce the provisions of the proposed legislation.

The proposal states that the **Department of Natural Resources** will establish an application by rule. For purposes of this fiscal note, it is assumed that the fee would be set to cover the department's cost of issuing and enforcing the permit.

Because the proposed legislation does not set up a fund to receive the fee nor designate a fund to pay for additional costs associated with this program, the impact has been reflected in General Revenue.

**Oversight** assumes because DNR will use existing resources to enforce the provisions of this proposal, there will be no additional costs to the state as a result of this proposal. If additional resources are needed DNR could request funding through the appropriation process.

The **Attorney General's Office** assumes the number of applicants for permits for new facilities and for modifications to existing facilities would be relatively small, and that costs related to litigation over administrative penalties and adverse determinations by the director could be absorbed with existing resources. A larger than expected volume of litigation would require additional staff.

### FISCAL IMPACT - State Government

FY 2003  
(10 Mo.)

FY 2004

FY 2005

### **General Revenue**

VL:LR:OD (12/00)

<u>Income</u> - Department of Natural Resources	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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Costs - Department of Natural Resources

Personal Service Costs (1 FTE)	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)
Fringe Benefits	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)
Equipment and Expense	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)
Total <u>Costs</u> - Department of Natural Resources	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)

<b>Estimated Net Effect to General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill requires the Department of Natural Resources to establish a permitting process for mills that produce wood chips for industrial processes as their primary product.

After January 1, 2003, permits will be required for the operation of a chip mill or for any modification of a mill that increases its wood consumption capacity by more than 10%, including the restarting of a mill that had been inactive for at least six months prior to January 1, 2003. Permit applications must include information on mill location, ownership, workforce, capacity, and operation; source wood species, harvest methods, procurement areas, and sustainable forestry practices; planned watershed protection measures at harvest locations; and the applicant's history of environmental violations in the state.

Within 180 days after receiving an application, the department must prepare a draft resource

impact analysis that assesses the proposed project's immediate, long-term, secondary, and cumulative impacts on tourism, recreation, supply and quality of lumber, water quality, fish, wildlife, and other aspects of the environment and economy. The department must open a 30-day public comment period and hold at least one public hearing on the application and draft impact analysis. The final resource impact analysis will address all substantive comments received and be completed within 30 days after the end of the comment period.

The department must approve, deny, or impose conditions on the permit application within 45 days after the close of the public comment period. Applications that do not comply with applicable laws or that would cause significant negative impacts on the environment or economy will be denied. If conditions are imposed on the permit application, a draft permit must be made available for public comment for 30 days, and a final decision will be made within 15 days after the close of this comment period.

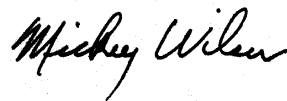
The department may establish reasonable application fees by rule. Construction or modification of a chip mill without a permit is subject to an administrative penalty of \$500 to \$5,000 per day.

If enforcement cannot be achieved through conference, conciliation, or persuasion, the department may seek injunctive relief through the courts.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Natural Resources  
Office of the Attorney General



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Acting Director  
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